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April 28, 2000

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Mr. Les Johnson, Director
Food Distribution Division
Food and Nutrition Service
3101 Park Center Drive
Alexandria, VA 22302

Dear Mr. Johnson:

Re: FD 2000 Feedback/New Jersey Distributing Agency

The New Jersey Department of Agriculture's, Food Distribution Programs, is submitting for your consideration, the following list of comments and questions about the USDA's Proposal for Change.

1. **Test best-value contracting**

We recommend that the USDA apply the "Best-value" contracting concept to National Processing Contracts. This would help to ensure that processed products, approved at the USDA level, will be of high quality.

2. **Allow vendors to use commercial labels.**

It is our opinion that if commercial labels are used in combination with full substitution, the benefits the USDA foresees can be realized.

Commercial labels may not necessarily solve the quality "perception" issue since even commercial brands are subject to the end user's determination of quality (i.e., Skippy peanut butter may be viewed as being inferior to Jif).

3. **Move towards national umbrella contracts with processors.**

The federal government should become the central approval point for processing contracts; however, these contracts should not supercede State negotiated agreements. National umbrella contracts should include quality reviews of processed products for inclusion into a national processing program, end product data schedule reviews, one central bonding agreement, and one central contract agreement from which states could use to offer a wider variety of processed products to its recipient agencies (RAs).

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We believe that States should still maintain authorization for the management of their processing program (i.e. types of commodities available for direct shipment, quantities, shipping schedules and monitoring). National contracts would be another tool for states and RAs to utilize. National contracts should also be multiple years in length to facilitate States meeting current USDA order deadlines.

In addition, if the USDA is not going to negotiate prices under a National contract, processors should be required to provide a price list to each state DA. This price list should include product information, company representative and contact information, prices, case weight, etc. This would relieve the USDA of the responsibility to publish an Approved Manufacturer Listing.

If national contracts are not appropriate for certain processors, perhaps USDA regional contracts could be considered. We understand that the USDA's Mid-Atlantic Regional Office has submitted a pilot to this effect, and we would like to express our support for the approval of this pilot.

Finally, we feel that national and/or regional contracts should not cover backhauling.

4. Expand full substitutability for commodity product

We believe that the current USDA pilot for the substitution of meat and poultry on a limited basis should be expanded to include finished products so that full implications of this proposal can be thoroughly evaluated.

Some implications that should be evaluated are:

1. Assuring commercially finished products are produced using domestically-grown product of equal or better quality than the commodity product.
2. Differences in prices between USDA raw product and the commercial raw product that was substituted by the processors, and how these differences will affect finished case price to the end user.
3. If USDA shipment does not equal amount of raw product the processor substituted.

We feel there should be a reconciliation between prices and quantities received and distributed in finished products once a year.

5. Work with states to test the seamless commodity distribution concept.

We are in favor of improving the distribution methods used to get commodities to the end user; however, we believe those methods should be evaluated on a state-by-state basis. Evaluation of a seamless distribution system on a state-by-state basis would allow the USDA, states, and RAs to mutually develop the best distribution system to meet their needs.

We feel the best seamless distribution system for New Jersey, would allow the NJDA to continue to be the coordinating point for RA orders. Based on RA requests, the NJDA will then coordinate and consolidate order and delivery destination information to ensure efficient program operations.

Advantages:

- The state DA continues to maintain direct accountability for all commodities at the local level.
- RAs maintain direct relationships with the state DA for all commodity issues. This would relieve the USDA from having to deal with the potential of direct issue contact with the local school district.
- States can accept RAs commodity orders without meeting truckload requirements.

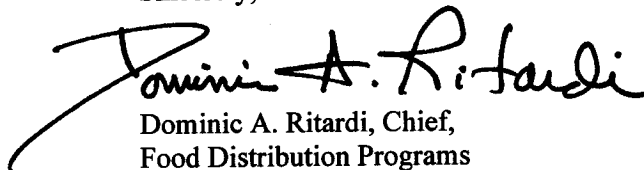
6. Provide computer connectivity at the school district level

We support the concept of school food service departments having computers and Internet capability.

However, it appears to us the USDA has a vision of schools being able to go online and order the items and quantities needed, with the state somehow "overseeing" this process.

Commodities should continue to be offered to the schools with orders placed via the state. States should have Internet-based offer and acceptance systems available, tied into the USDA system. The result of this process will be available for all partners to view at any time.

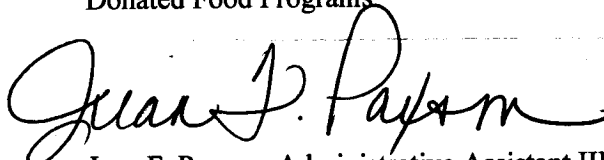
Sincerely,



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Food Distribution Programs



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Jean F. Paxson, Administrative Assistant III,
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